Hawke's Bay Regional Investment Company Ltd

2020-21

Annual Report

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Chairman's Report

2021 has been another successful year for the company.

The final result for Hawke's Bay Regional Investment Company Ltd (HBRIC) for this year is a net profit after tax of $8m.

The equity of the company has decreased by $13.4m to $445.7m, mainly driven by the drop in market price of Napier Port shares.

Dividends paid to Council were $5.2m, which exceeded Council's annual plan dividend expectation of $3m.

During the year HBRIC has focused on three key priorities:

- Monitoring investment in Napier Port, our largest strategic asset
- Monitoring and managing the future investment fund, our other strategic asset, in compliance under Council's SIPO
- Preparing for investment in Foodeast, our latest project

Napier Port

Napier Port is a vital contributor to the regional economy and valuable asset.

During 2021, like all businesses in New Zealand, Napier Port was exposed to the operational and financial impacts of Covid-19. Government imposed lock-downs and safety management requirements have influenced the Port, its staff and customers, which has made for a challenging year. In addition, global supply chains have been severely disrupted.

Notwithstanding this, the Port has continued to provide essential services and support to the importers and exporters of the region, and advises that Construction of 6 Wharf is on schedule and budget.

Despite trade volatility created by Covid-19, the Port is reporting solid trade results and is forecasting earnings above original forecasts for the year ending September 2021, and now in line with the previous year.

For the year 2021, HBRIC received $8.58m in dividends from Napier Port.

We note that the Port is a commercial operation that carries risk. It continues to have the following strategic challenges to balance its operating performance, growth and exposure to risk:

- A significant commitment to 6 Wharf expenditure
- Covid-19 related impacts on trade
- Increasing competitive pressures and risks from other ports around the country
- Risk of damage from seismic activity
- Increasing costs and deductibles for insurance cover and restricted availability supply of cover

The Napier Port IPO process has resulted in a transparent market value for the Port. As at 30 June 2021, the value of HBRIC's share of Napier Port was $374m, representing a $22m decrease in the value of the asset from last year.

Managed Fund Investments

During the year HBRIC divested $2.9m from the managed funds after protecting the capital value of the funds in compliance with the statement of investment policy and objectives.

The value of the managed funds at 30 June 2021 amounted to $48.5m, a movement of approximately +$3m (after divestments) from 30 June 2020

FoodEast

During the year HBRIC made a decision to invest in Foodeast, a new foodhub for Hawke's Bay.

The Hawke's Bay economy is powered by the agriculture and horticulture sectors, which represent approximately 70% of regional GDP. Food production has been growing and a food innovation hub in Hawke's Bay will support and accelerate that growth and build on the region's competitive advantage.

The hub concept is intended to co-locate food related businesses such as producers, researchers and training providers in one location, and become a centre for food innovation within the Hawke's Bay region, including the provision of food innovation consulting services.

Similar hubs have been developed in other regions of NZ (e.g Waikato Innovation Park), with positive regional/social outcomes.

The format for the hub includes office space, common working areas, hireable training/meeting rooms, industrial R&D space and public food amenity.

Total forecast cost for the hub is $18m, which includes construction, establishment costs and operating losses during start up.

The Crown has committed to a conditional $12m grant via the Provincial Growth Fund (PGF). The grant operates like a dissolving loan, with a $1m p.a reduction in obligation to repay so long as the hub continues to fulfil its stated purpose. At the end of 12 years the Crown has no interest in the asset, with all equity being held by investors. This funding will broadly cover the cost of construction of the premises.

HBRIC resolved to invest $4m into the project as the majority shareholder, alongside Hastings District Council and Progressive Meats.

A new Limited Partnership entity is being formed in 2022 to oversee the construction of Foodeast and manage its operations. Further reporting on this investment will be provided in 2022.

Governance and Management

During the year there were no changes to the Board of directors.

Chair: Dan Druzianic

Directors: Rick Barker, Neil Kirton, Craig Foss

All HBRIC corporate administration and finance functions are undertaken by Council under contract.

All project work is undertaken by independent contractors.

HBRIC has no permanent employees.

The year ahead

Covid-19 has and will continue to have a significant impact on the economy of Hawke's Bay. As such, the board of HBRIC, with Council's support, continues to explore commercial opportunities which can support growth of the local economy and provide suitable returns.

I would like to thank Hawke's Bay Regional Council for their leadership, vision and support over the past 12 months. I would also like to acknowledge the leadership and vision of recently retired HBRC Chair and former HBRIC Chair Rex Graham. Much of HBRIC's robust financial position has arisen from his leadership and guidance. All of the board and team at HBRIC wish Rex all the very best with his wellbeing.

I would also like to thank all of the team at Napier Port, HBRIC and Council who have supported HBRIC throughout the year.

Dan Druzianic
Chairman

Directors' Report

The Directors hereby present their report and Financial Statements of the Hawke's Bay Regional Investment Company Limited for the year ended 30 June 2021.

Reporting entity

The Hawke's Bay Regional Investment Company Ltd ('HBRIC Ltd') was incorporated in New Zealand on 21 February 2012 and is 100% owned by Hawke's Bay Regional Council ('Council'). The company is domiciled in New Zealand.

The Group financial statements comprise the financial statements of HBRIC Ltd and its subsidiaries, the Port of Napier Limited ('Napier Port') and Napier Port Holdings Limited (NPHL).

Registered office

159 Dalton Street

Napier South

Napier 4110

New Zealand

Basis of consolidation

The consolidated financial statements comprise the financial statements of HBRIC Ltd and its subsidiaries as at and for the year ended 30 June 2021.

Principal Activities

Parent company

The Hawke's Bay Regional Investment Company Ltd (HBRIC) currently owns 55% of Napier Port Holdings Limited (NPHL), who is the 100% owner of the Port of Napier Limited (PONL). A portion of the funds received from the sale of 45% ownership in PONL to NPHL have been invested in managed funds.

Subsidiary companies

Port of Napier Limited's principal activities are the commercial operation of Napier Port.

Napier Port Holdings Limited was incorporated 12 June 2019 to act as a holding company of the Port of Napier.

Remuneration of Directors

Remuneration paid to Directors during the year was as follows:

Parent company

D Druzianic (Chairman)	$ 30,000
Rick Barker	$ -
Neil Kirton	$ -
Craig Foss	$ -

Subsidiary companies - Port of Napier Limited and Napier Port Holdings Limited

A MacLeod (Chairman)	$130,500
S Moir	$ 77,337
D Puketapu	$ 70,999
E Harvey	$ 67,663
V Tremaine	$ 77,337
R Barker	$ 67,663
B O'Keeffe	$ 70,999

Board committees

As at 30 June 2021 the Board of the Parent Company had no separate committees.

Directors' interests

The company maintains an interests register in which particulars of certain transactions and matters involving the Directors are recorded. These are requirements under the Companies Act 1993. The following notices have been received from Directors disclosing their interests in other companies.

Parent company

Dan Druzianic	Director, Moore Markhams Hawke's Bay Ltd
	Director, Bostock New Zealand Ltd
	Director, Hawke's Bay Independent Brewery Ltd
	Trustee, Hawke's Bay Community Fitness Centre Trust
	Director, Unison Networks
Rick Barker	Councillor, Hawke's Bay Regional Council
	Director, Napier Port Holdings Limited
	Director, Port of Napier Limited
	Chair, West Coast District Health Board
	Director, Fifteen Two Limited
	Principal, Rick Barker Consulting
	Chief Crown Negotiator
Neil Kirton	Councillor, Hawke's Bay Regional Council
	Director, Good Shepherd Transport Ltd
	Employment, Hohepa Services Ltd
Craig Foss	Councillor, Hawke's Bay Regional Council
	Director, Nikau One Limited
	Director, Magpie Investments Limited
	Director, Foss Limited
	Director, Aftrimat Australasia Limited
	Director, Trusted Foods Limited
	Director, Hawke's Bay Tourism

Subsidiary companies - Port of Napier Limited and Napier Port Holdings Limited

Director	**Interests declared (as at reporting date)**	
A Macleod	Optimal Product Limited	Chair
	Silverstripe Limited	Chair and Shareholder
	Hold Fast Investments Limited	Chair
	IHC Board Appointments Committee	Member
	Silverstripe Trustee Limited	Director
	Big Brothers Big Sisters Hawke's Bay	Trustee
S Moir	The Guardians of NZ Superannuation Fund	Director
	Todd Family Office	Director
	IJAP Limited	Director

D Puketapu	Manawanui Support Limited	Director
	Ngati Porou Holding Company & subsidiaries	Director
	Tamaki Redevelopment Company & subsidiaries	Director
	New Zealand Cricket	Director
	New Zealand Olympic Committee	Director
V Tremaine	Riverland Water Holdings Pty Limited	Chair
	Statewide Superannuation Pty Limited	Director and Member
	SouthernLaunch.Space Pty Limited	Chair
	Green Industries SA	Director
E Harvey	Heartland Bank Limited	Director
	Investore Property Limited	Director
	Stride Property Limited	Director
	Stride Investment Management Services Limited	Director
	Kathmandu Holdings Limited	Director
B O'Keeffe	Hawke's Bay Rescue Helicopter Trust	Chair
	Z Energy Limited	Director
	Central Air Ambulance Rescue Limited	Director
	Hawke's Bay Regional Council	Contracted Advisor
	Hawke's Bay Regional Investment Company Limited	Contracted Advisor
R Barker	Hawke's Bay Regional Council	Councillor
	Hawke's Bay Regional Investment Company Limited	Director
	West Coast District Health Board	Chair

Directors' insurance

The Company has arranged policies of Directors' Liability Insurance, which together with a Deed of Indemnity ensures that as far as possible, Directors will not personally incur any monetary loss as a result of actions undertaken by them as Directors. The insurance does not cover liabilities arising from criminal actions.

Remuneration of employees

The number of employees for the Group and Parent, whose total annual remuneration was in the specified bands, is as follows:

Remuneration bands	Group	Parent
$100,000 - 109,999	26	-
$110,000 - 119,999	39	-
$120,000 - 129,999	29	-
$130,000 - 139,999	15	-
$140,000 - 149,999	14	-
$150,000 - 159,999	5	-
$160,000 - 169,999	7	-
$170,000 - 179,999	1	-
$180,000 - 189,999	3	-
$200,000 - 209,999	1	-
$210,000 - 219,999	1	-
$240,000 - 249,999	2	-
$260,000 - 269,999	5	-
$270,000 - 279,999	2	-
$290,000 - 299,999	1	-
$300,000 - 309,999	1	-
$340,000 - 349,999	1	-
$550,000 - 559,000	1	-

The annual remuneration specified in the above bands includes payments made to staff under both short term and long term staff incentive schemes and redundancy benefits.

Use of company information

During the year the Board received no notices from Directors of the Company requesting to use Company information received in their capacity as Directors, which would not otherwise have been available to them.

Board operation

Operation of the Board is governed by the Constitution of the Company, and the rules, procedures and guidelines adopted by the Board.

Auditors

The Office of the Auditor-General is appointed as auditor under Section 15 of the Public Audit Act 2001 and Section 70 of the Local Government Act 2002. Audit New Zealand has been appointed to provide these services.
Audit fees are disclosed within the financial statements.

Donations

The parent company and subsidiary made no donations during the year (2020: nil).

Dividends

During the year the parent company paid fully imputed ordinary dividends of $5,200,000 (2020: $46,457,500).

Directors' responsibility statement

The Directors are responsible for ensuring that the financial statements give a true and fair view of the financial position of the Company and the Group as at 30 June 2021 and their financial performance and cash flows for the year ended on that date.

The Directors consider that the financial statements of the Company and the Group have been prepared using appropriate accounting policies consistently applied and supported by reasonable judgements and estimates and that all relevant financial reporting and accounting standards have been followed.

Dan Druzianic (Chairman)

Rick Barker (Director)

HAWKE'S BAY REGIONAL INVESTMENT COMPANY LIMITED
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Statement of Profit or Loss
For the year ended 30 June 2021

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Income					
Port operations		104,453	-	96,313	-
Other income		2,365	-	2,426	235
Dividend income		543	9,123	70	46,777
Government grants		-		2,036	
Operating income	**3**	**107,361**	**9,123**	**100,845**	**47,012**
Expenditure					
Employee benefit expenses		34,300	-	32,336	-
Maintenance expenses		10,850	-	8,957	-
Depreciation,amortisation and impairment expenses		13,108	-	12,999	-
Transaction costs arising on the proposed issuance of shares		- 84	-	1,595	-
Other operating expenses	4	17,937	473	21,299	1,104
Operating expenditure		**76,111**	**473**	**77,186**	**1,104**
Operating profit before net financing costs		**31,250**	**8,649**	**23,659**	**45,908**
Finance income	5	368	338	601	338
Finance expenses	5	57	-	1,325	78
Net finance income		**312**	**338**	**- 724**	**259**
Operating profit after net financing costs		**31,562**	**8,988**	**22,935**	**46,168**
Gain/(loss) from sale of investments		365	365	- 163	1,738
Share of gain/(loss) from impairment of investment in joint venture		-	-	-	-
Profit before subvention		**31,927**	**9,353**	**22,772**	**47,906**
Subvention payment		- **1,055**	**1,055**	**-**	**-**
Profit before tax		**30,871**	**8,298**	- **22,772**	**47,906**
Income tax expense	6	6,891	249	6,168	17
Total tax expense		**6,891**	**249**	**6,168**	**17**
Profit after tax		**23,980**	**8,049**	**16,604**	**47,888**
Profit for the period attributable to the					
Equity holders of the Parent		14,030	8,049	10,553	47,888
Non-controlling Interests		9,949	-	6,051	-
		23,980	8,049	16,604	47,888

The accompanying notes form part of these financial statements.

Statement of Comprehensive Income
For the year ended 30 June 2021

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Profit after tax attributable to the Shareholder of the Company		23,980	8,049	16,604	47,888
Other Comprehensive Income					
Asset revaluation	9	5,761	-16,239	535	110,535
Changes in fair value of cash flow hedges		44	-	200	-
Cash flow hedges transferred to property, plant and equipment		-	-	-200	-
Impairment of sea defences		-	-	-5,788	-
Deferred tax on revaluation of sea defences		17		704	
Cash flow hedges transferred to the Income statement		-105	-	-	-
Total Comprehensive Income		**29,698**	**-8,191**	**12,056**	**158,424**
Comprehensive income attributable to the					
Equity holders of the Parent		19,768	-8,191	8,293	158,424
Non-controlling Interests		9,929	-	3,763	-
		29,698	**-8,191**	**12,056**	**158,424**

Statement of Changes in Equity
For the year ended 30 June 2021

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Equity as at beginning of year		406,122	459,059	215,032	347,093
Profit after tax attributable to the Shareholders of the Company		23,980	8,049	16,604	47,889
Other comprehensive income		5,717	- 16,239	- 4,549	110,535
Transaction costs arising on proposed issuance of shares	9	- 822	-	- 5,133	-
Business reorganisation	9	386		-	
Dividends	8	- 12,211	- 5,200	- 48,696	- 46,458
Share issues		-	-	234,000	-
Acquisition of treasury shares	22, 9	-	-	- 323	-
Fair share loans to employees	22, 9	87	-	- 1,188	-
Share - based payments	22, 9	113	-	375	-
Equity as at end of year	9	**423,373**	**445,671**	**406,122**	**459,059**

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Equity attributable to:				
Equity holders of the parent	**266,189**	**445,671**	**251,413**	**459,059**
Non-controlling interests	**157,184**	-	**154,709**	-

The accompanying notes form part of these financial statements.

Statement of Financial Position
As at 30 June 2021

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
EQUITY					
Share capital	9	404,132	177,500	404,867	177,500
Reserves	9	77,046	94,296	71,217	110,535
Retained earnings	9	- 57,805	173,875	- 69,962	171,024
Total Equity		**423,373**	**445,671**	**406,122**	**459,059**
Equity attributable to:					
Equity holders of the parent		**266,188**	**445,671**	**251,413**	**459,059**
Non-controlling interests		**157,184**	**-**	**154,709**	**-**
LIABILITIES					
Non-Current Liabilities					
Derivative financial instruments	21	37	-	-	-
Borrowings	21	58,718	-	-	-
Deferred tax liabilities	6	16,406	-	15,598	- 154
Provisions for Employee Entitlements	12	490	-	477	-
Lease Liabilities	7	359	-	575	-
Total Non-Current Liabilities		76,010	-	16,650	- 154
Current Liabilities					
Derivative financial instruments	21	126	-	-	-
Borrowings	17,21	-	-	-	-
Taxation payable		1,538	-	2,569	-
Trade and other payables	11	25,006	1,144	16,678	248
Lease Liabilities	7	217	-	210	-
Total Current Liabilities		26,887	1,144	19,457	248
TOTAL LIABILITIES		**102,896**	**1,144**	**36,107**	**95**
TOTAL EQUITY & LIABILITIES		**526,270**	**446,817**	**442,229**	**459,153**
ASSETS					
Non-Current Assets					
Property, plant & equipment	14,7	420,223	-	338,287	-
Investment property	16	10,400	-	8,200	-
Intangible assets	13	1,281	-	1,193	-
Financial assets	15	65,145	439,145	62,201	458,201
Total Non-Current Assets		497,048	439,145	409,881	458,201
Current Assets					
Derivative financial instruments		99	-	-	-
Trade & other receivables	10	16,660	128	14,370	195
Cash and cash equivalents	18,21	10,062	7,545	18,712	757
Current tax asset		2,402		- 734	-
Total Current Assets		29,223	7,673	32,348	952
TOTAL ASSETS		**526,270**	**446,817**	**442,229**	**459,153**

The accompanying notes form part of these financial statements.

Statement of Cash Flows
For the year ended 30 June 2021

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
CASH FLOW FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		104,840	-	100,209	2,888
Receipt of wage subsidy		-	-	2,036	-
Dividends received		449	9,029	-	46,708
GST received (net)		166	74	685	-
Subvention received		-		-	217
Interest received		336	336	62	62
		105,791	9,439	102,992	49,875
Cash was applied to:					
Payments to suppliers & employees		- 61,436	- 598	- 57,813	- 1,474
IPO transaction and related costs		-	-	- 6,119	-
Interest paid		- 27		- 473	- 464
GST paid (net)		-		- 290	- 290
Refund of COVID-19 wage subsidy		- 2,036	-	-	-
Taxes paid		- 9,358	47	- 7,567	-
		- 72,857	- 551	- 72,262	- 2,228
Net Cash Flows from Operating Activities	18	**32,934**	**8,888**	**30,730**	**47,647**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Sale of assets		2,783	3,099	85	63,901
		2,783	3,099	85	63,901
Cash was applied to:					
Purchase of assets		- 91,191		- 99,093	- 61,626
Investment in associate		- 80	-	- 230	-
		- 91,271	-	- 99,323	- 61,626
Net Cash Flows from Investing Activities		**- 88,488**	**3,099**	**- 99,238**	**2,275**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from:					
Proceeds from loans and borrowings		60,000	-	-	-
Proceeds from shareholder loan		-	-	-	-
Proceeds from issue of ordinary shares		-	-	234,000	-
Repayment of fair share loans by employees		87	-	-	-
		60,087	-	234,000	-
Cash was applied to:					
Transaction costs arising on share issuances		- 822		- 6,944	
Repayment of external loans		-		- 86,500	- 6,500
Repayment of lease liability		- 210	-	- 197	-
Termination of interest rate swaps		-	-	- 7,141	-
Acquisition of treasury shares		-	-	- 323	-
Fair share loans to employees to acquire shares		-	-	- 1,188	-
Borrowing establishment costs		-	-	- 632	-
Part consideration paid for shares of PONL to HBRIC		-		-	
Dividends paid		- 12,152	- 5,200	- 48,696	- 46,458
		- 13,184	- 5,200	- 151,621	- 52,958
Net Cash Flows from Financing Activities		**46,903**	**- 5,200**	**82,380**	**- 52,958**
Net Increase / (Decrease) in Cash & Cash Equivalents		**- 8,651**	**6,787**	**13,871**	**- 3,036**
Opening cash & cash equivalents		18,712	757	4,841	3,791
Closing Cash & Cash Equivalents		**10,061**	**7,545**	**18,712**	**757**

The accompanying notes form part of these financial statements.

Note 1: General Information

1.1 Reporting Entity

The Hawke's Bay Regional Investment Company Limited (`HBRIC Ltd') is a wholly owned subsidiary of Hawke's Bay Regional Council formed for the purpose of holding investments in subsidiary organisations. The company was incorporated on 21 February 2012.

The Group financial statements comprise the financial statements of HBRIC Ltd and its subsidiaries, the Port of Napier Limited ('Napier Port') and Napier Port Holdings Limited (NPHL).

HBRIC Ltd is considered a Council Controlled Trading Organisation on the basis that it operates for the purpose of making a profit, and is therefore classified for accounting purposes as a for-profit entity.

The financial statements of HBRIC Ltd and the Group are for the period ended 30 June 2021.

1.2 Basis of Preparation

The financial statements of HBRIC Ltd and the group have been prepared in accordance with generally accepted accounting practice in New Zealand (`NZ GAAP'). They comply with New Zealand equivalents to International Financial Reporting Standards (`NZ IFRS'), and other applicable Financial Reporting Standards, as appropriate for-profit entities. These financial statements comply with International Financial Reporting Standards.

The statements have been prepared on a historic cost basis, except fair value investments, sea defences, admin buildings, investment properties and derivative financial instruments which are measured at fair value.

The Group's functional currency is New Zealand dollars and the statements have been presented in thousands of dollars ($'000) exclusive of New Zealand Goods and Services Tax (GST) except for trade accounts payable and receivable, which are stated at GST inclusive amounts.

1.3 New Standards Adopted

No new standards have been adopted in the current reporting period.

1.4 New standards and interpretations not yet adopted

There are no standards that are not yet effective that have not been early adopted by the Group and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

1.5 Use of Judgements and Estimates

In the application of NZ IFRS, the Board is required to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In particular, information about significant areas of estimation and critical judgements in applying accounting policies that have a significant effect on the amount recognised in the financial statements are as follows:

- Valuation of sea defences (Note 14)
- Valuation of financial instruments (Note 21)
- Estimation of useful lives (policy on depreciation)
- Deferred taxes (Note 6)

Note 2: Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these group financial statements are set out below.

2.1 Basis of Consolidation

The consolidated financial statements comprise the financial statements of Hawke's Bay Regional Investment Company Ltd (`HBRIC Ltd') and its subsidiaries (as outlined in Note 15) as at and for the period ended 30 June each year ('the Group').

(2.1.1) Subsidiary

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether a group controls another entity.

2.2 Acquisition of Subsidiary Subject to Common Control

On 15 July 2019, Napier Port Holdings Limited (NPHL)acquired 100% of the issued share capital of Port of Napier Limited (PONL) from Hawke's Bay Regional Investment Company Limited (HBRIC). This constitutes a transaction under common control as both entities were ultimately controlled by the same party and as such the transaction is not within the scope of NZ IFRS 3 Business Combinations.

The pooling of interests method has been adopted to account for the acquisition as a business combination carried out under common control. Under this method pre-transaction carrying values are used. Cash paid to HBRIC in conjunction with this reorganisation has been treated similar to a dividend and deducted from retained earnings. The financial statements have been prepared as if PONL and NPHL were consolidated for all of the periods presented. Historical information relates to PONL as NPHL was only incorporated shortly before the transaction and had not conducted any business prior to acquiring PONL.

2.3 Trade Receivables

Trade receivables are recognised initially at fair value and subsequently remeasured each balance sheet date at amortised cost using the effective interest method less any lifetime expected credit losses.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

2.4 Plant, Property and Equipment

(2.4.1) *Operational Assets*

Tugs, cranes and buildings (all Napier Port assets) are stated at deemed cost based on valuations performed as at 30 September 2005 and subsequent additions at cost, less subsequent accumulated depreciation. All other operational assets are accounted for at the historical cost of purchased Property, Plant and Equipment less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Sea Defences and are measured at fair value, based on periodic valuations by suitably qualified and experienced professionals.

The costs of asset constructed by the group include the cost of all materials used in construction, direct labour on the project and an appropriate amount of directly attributed costs. Costs cease to be capitalised as soon as the asset is ready for productive use.

Work in progress are costs incurred in the course of bringing assets to the location and condition necessary for their intended service and includes costs of obtaining resource consents where required to proceed with capital projects.

(2.4.2) Subsequent Costs

Subsequent costs are added to the carrying amount of an item of property, plant and equipment when the cost is incurred if it is probable that future economic benefits embodied with the item will flow to HBRIC Ltd or the group and the cost can be measured reliably. All other costs are recognised in the income statement as an expense during the financial period in which they are incurred.

(2.4.3) Revaluation Adjustments

Increases in carrying amounts arising from revalued assets are credited to revaluation reserves in equity. Decreases that offset previous increases of the same asset category are charged against revaluation reserves in equity. All other decreases are charged to the income statement.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

(2.4.4) Other Adjustments

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in revaluation reserves are transferred to the accumulated balance in equity.

2.5 Investment Property

Investment property is residential and commercial land and buildings held to earn rental income and for capital appreciation. Such property is initially recognised at cost. At each balance sheet date investment property is measured at fair value, representing open market value determined annually by independent, professionally qualified valuers. A gain or loss in value is recorded in the income statement for the period in which it arises.

2.6 Financial Assets

(2.6.1) Initial Recognition and Measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss. The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price.

(2.6.2) Subsequent Measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)

- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)

- Financial assets at fair value through profit or loss

(2.6.3) Financial assets at amortised cost.

NZ IFRS 9.4.1.2 Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The Group's financial assets at amortised cost includes trade receivables and related party loans.

(2.6.4) Financial assets at fair value through OCI (debt instruments)

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss. The Group's debt instruments at fair value through OCI includes investments in debt instruments held through fund managers.

(2.6.5) Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under NZ IAS 32 Financial Instruments. The classification is determined on an instrument-by instrument basis. Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group elected to classify irrevocably its equity investments under this category.

(2.6.6) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss. This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

2.7 Intangible Assets

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their useful lives of between 3 to 10 years.

2.8 Depreciation and Amortisation

Depreciation is provided on all tangible property, plant and equipment other than freehold land capital dredging, at rates calculated to allocate the assets' cost less estimated residual value over their useful lives.

Asset Category	*Years*
Site Improvements	10 - 50
Vehicles, Plant & Equipment	3-25
Floating Plant	30
Maintenance Dredging	8
Wharves & Jetties	10-80
Buildings	10-60
Sea Defences	100-200

Depreciation on crane assets is calculated on a unit-of-production basis with estimated useful lives of 33,000-36,000 operating hours.

Land and capital dredging are not depreciated as they are considered to have indefinite useful lives.

Impairment

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Impairment losses directly reduce the carrying amount of assets and are recognised in the income statement.

2.9 Cash and Cash Equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.10 Borrowings

On initial recognition all borrowings are recognised at the fair value of consideration received less directly attributed transactions costs. Borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid on the establishment of the loan facility are amortised over the term of the loan.

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as an expense when incurred except to the extent that they are capitalised. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset are capitalised as a part of the cost of that asset.

2.11 Income Tax

Income tax expense includes components relating to current tax and deferred tax.

Current tax is the amount of income tax payable based on the taxable profit for the current year, and any adjustments to income tax payable in respect of prior years.

Deferred tax is the amount of income tax payable or recoverable in future periods in respect of temporary differences and unused tax losses. Temporary differences are differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of an asset or liability in a transaction that affects neither accounting profit nor taxable profit.

Current tax and deferred tax are measured using tax rates (and tax laws) that have been enacted or substantively enacted at balance date.

Current and deferred tax is recognised against the profit or loss for the period, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

2.12 Employee Benefits

Short-term employee benefits including salaries and wages, annual leave and contributions to superannuation schemes are recognised when they accrue to employees and are measured at undiscounted cost.

The liability for long service leave is recognised and measured at the present value of the expected future entitlements to be made in respect of services provided by employees up to the reporting date. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service.

2.13 Provisions

Provisions are recognised when:

- the Group has a present legal or constructive obligation as a result of past events, and
- it is more likely than not that an outflow of resources will be required to settle the obligation, and
- the amount has been reliably estimated.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense

Provisions are not recognised for future operating losses.

2.14 Revenue Recognition

Port operations services are a series of distinct performance obligations for the provision of marine, berthage and port infrastructure services to the Group's shipping customers as vessels berth which are accounted for as a single performance obligation. Revenue is recognised over-time using the percentage of completion method.

Revenue is measured based on the service price specified in the relevant tariffs or specific customer contract. The contract price for the services performed reflects the value transferred to the customer.

Investment property lease income is recognised on a straight-line basis over the period of the lease term.

Interest income is recognised on a time proportion basis using the effective interest method.

Dividend income is recognised when the right to receive payment is established.

Government grants are recognised as income when eligibility has been established by the grantor agency.

2.15 Financial Risk Management

The Group's activities expose it to a variety of financial risks, including foreign currency risk, liquidity risk, credit risk and cash flow interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

2.16 Accounting for Derivative Financial Instruments and Hedging Activities

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item.

(i)Classification of derivatives
Derivatives are only used for economic hedging purposes and not as speculative investments.

(ii)Hedge ineffectiveness
Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessments to ensure that an economic relationship exists between the hedged item and hedging instrument.

Forward contracts
For hedges of foreign currency purchases, the Group enters into hedge relationships where the critical terms of the hedging instrument match the terms of the hedged item. The group therefore performs a qualitative assessment of effectiveness. If changes in circumstances affect the terms of the hedged item such that the critical terms no longer match exactly with the critical terms of the hedging instrument, the Group uses the hypothetical derivative method to assess effectiveness.

In hedges of foreign currency purchases, ineffectiveness may arise if the timing of the forecast transaction changes from what was originally estimated, or if there are changes in the credit risk of the Group or the derivative counterparty.

Interest rate swaps
The Group enters into interest rate swaps that have similar critical terms as the hedged item, such as reference rate, reset dates, payment dates, maturities and notional amount. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps. As all critical terms matched during the year, the economic relationship was considered to be 100% effective.
Hedge ineffectiveness for interest rate swaps is assessed using the same principles as for hedges of foreign currency purchases. It may occur due to:

- the credit/debit value adjustment on the interest rate swaps which is not matched by the loan, and
- differences in critical terms between the interest rate swaps and loans.

(iii)Measurement of derivatives

Forward exchange contracts and options and interest rate swaps are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value at balance date. The fair value of interest rate swaps is determined by reference to market values for similar instruments. The fair value of forward exchange contracts and options is determined by reference to current forward exchange rates for contracts with similar maturity profiles.

2.17 Foreign Currencies

Transactions in foreign currencies are translated at the New Zealand rate of exchange ruling at the date of the transaction. At balance sheet date foreign monetary assets and liabilities are translated at the closing rate and exchange variations arising from these are included in the income statement.

2.18 Trade and Other Payables

Trade and other payables are initially recorded at fair value and subsequently at amortised cost using the effective interest method.

Liabilities for wages, salaries and performance payments, including annual leave, expected to be settled within 12 months of the reporting date are recognised in respect of employee services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

2.19 Share Based Payments

The cost of share-based payment transactions are spread over the period in which the employees provide services and become entitled to the awards.

The cost of the equity-settled share-based transactions are measured by reference to the fair value of the equity instruments at the date at which they are granted. The cost of equity settled transactions is recognised in the income statement, together with a corresponding increase in the share-based payment reserve in equity.

2.20 Share Capital

All ordinary shares have no par value, equal voting rights and share equally in dividends and surplus on winding up. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

2.21 Leases

The Group recognises a right-of-use asset and a lease liability at the commencement date of a lease except for short-term operating leases, where the lease term is less than 12 months, or related to low value assets, which are expensed on a straight-line basis over the term of the lease.

On initial recognition lease liabilities are recognised at the net present value of the lease payments discounted using the interest rate implicit in the lease. Lease liabilities are subsequently measured at amortised cost.

Right-of-use assets are initially measured at cost, which comprises the initial amount of the lease liability. Right-of-use assets are included within property, plant and equipment in the statement of financial position and are subsequently measured on the same basis.

Lease income from operating leases is recognised as income on a straight-line basis over the term of the lease.

2.22 Comparatives

Certain immaterial adjustments have been made to prior year comparatives to align with the current year disclosure.

2.23 Changes in Accounting Policies

The Property Plant and Equipment policy has been changed to reflect that administration buildings that were previously held at cost are now held at fair value less accumulated depreciation. The change has been made to align the HBRIC Ltd accounting policy with that of its parent, the Hawke's Bay Regional Council.

Note 3: Income

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Operating income					
Income from Port operations		104,453	-	96,313	-
Property operations		2,365	-	2,191	-
Other income		-	-	235	235
Government grants		-		2,036	
Dividend Income from current investments		543	9,123	70	2,820
Dividend income from investments derecognised during the year		-		-	43,957
Total operating income		**107,361**	**9,123**	**100,845**	**47,012**

Rental income on investment properties within property operations was $54,000 (2020: $58,000) during the year.

Note 4: Other Expenses

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Items Included within Other Operating Expenses					
Auditors' fees paid to Audit New Zealand for audit of financial statements		34	34	34	34
Auditors' fees paid to Ernst & Young for audit of subsidiary's financial statements[1]		218	53	212	-
Auditors' fees paid to Ernst & Young for other services		1	-	35	-
Directors' fees		592	30	635	30
Operating leases		-	-	-	-
Credit loss allowance		- 41	-	339	-
Fair value (gain)/loss on investment property		- 2,200	-	- 230	-
Asset retirement expenses		7	-	242	-
Net (profit)/loss on sale of property, plant and equipment		69	-	23	-

Auditor remuneration - non audit services comprises a limited assurance engagement.

[1]HBRIC contributed $53K towards the audit of NPHL's special purpose financial statements.

Note 5: Finance Income and Expenses

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Interest income		- 368	- 338	- 601	- 338
Total finance income		**- 368**	**- 338**	**- 601**	**- 338**
Interest expense on borrowings		582	-	1,263	78
Interest rate swaps		-	-	872	-
lease imputed interest		41	-	53	-
Less: Interest expense capitalised to PPE		- 566	-	- 863	-
		57	-	1,325	78
Fair value (gain)/loss on interest rate swaps		-	-	-	-
Total finance expenses		**57**	**-**	**1,325**	**78**
Net finance income		**- 312**	**- 338**	**- 724**	**- 260**

Note 6: Taxation

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Income tax expense					
Net profit before taxation		30,872	8,298	22,772	47,906
Income tax on the surplus for the year @ 28%		8,644	2,324	6,376	13,414
Adjustment to prior year taxation		21	- 6	188	171
Tax effect of income not recognised for accounting		591	591	-	-
Reinstatement of tax depreciation on buildings		858	-	- 1,508	-
Exempt dividends received		-	-	-	- 13,053
Imputation credits		- 2,416	- 2,416	- 20	- 20
Tax effect of non-assessable items		- 1,438	- 252	- 1,168	- 534
Taxation effect of non deductible items		631	8	2,300	39
Income tax expense		**6,891**	**249**	**6,168**	**17**
The taxation charge is represented by:					
Current taxation		6,334	96	5,744	
Deferred taxation		537	160	237	- 154
Adjustments to current tax in prior periods		- 272	- 6	250	171
Adjustment for deferred tax of prior periods		293	-	- 62	-
Income tax expense reported in income statement		**6,891**	**249**	**6,168**	**17**
Deferred tax liability					
Opening balance		- 15,599	154	- 16,128	-
Adjustment prior year provision		- 287	6	- 62	-
Deferred portion of current year tax expense		- 537	- 160	- 237	154
Amounts charged or credited direct to equity		17	-	704	-
Closing balance		**- 16,406**	**- 0**	**- 15,599**	**154**
Deferred taxation is represented by:					
Accelerated tax depreciation		- 8,638	-	- 7,682	-
Fair value gains/(losses) on derivatives		17	-	-	-
Revaluation of sea defences		- 9,302	-	- 9,391	-
Share-based payments		-	-	-	-
Other		1,517	-	1,474	154
		- 16,406	**-**	**- 15,599**	**154**
Current tax asset					
Current tax asset is represented by:					
Tax payable		- 96	- 96	-	-
Tax credits utilised to offset current tax		96	96	-	-
Tax receivable		2,402	-	- 734	
Current tax asset reported in balance sheet		**2,402**	**-**	**- 734**	**-**
Imputation credit account					
Imputation credits available for use in subsequent periods		12,902	2,414	11,247	1,133

On 26 March 2020 the COVID-19 Response (Taxation and Social Assistance Urgent Measures) Bill was enacted which reinstated the ability for companies to claim depreciation on buildings that have an estimated useful life of 50 years or more from the 2020-21 income tax year. The reinstatement of tax depreciation on buildings required the Group to reinstate a portion of the tax base of its buildings. The Group also removed the effect of a portion of the initial recognition exemption on those buildings acquired post May 2010. At 30 June 2020 the net change recognised resulted in a decrease in the deferred tax liability of $1,508,000 and a corresponding income tax benefit in the period. Based on revised guidance at 30 September 2020 the net change to the deferred tax liability was reduced by $858,000 with a corresponding reduction in the income tax benefit recognised. The net change recognised in relation to the reinstatement of tax depreciation on buildings is a decrease in the deferred tax liability of $650,000 and an income tax benefit of the same amount.

Note 7: Leases

Group

As a Lessee

	2021 $000	2020 $000
Right-of-use assets included in plant and equipment		
Balance at 1 July	751	964
Depreciation	-213	-213
Balance at 30 June	**538**	**751**

	2021 $000	2020 $000
Lease liabilities		
Balance at 1 July	785	982
Interest Expense	41	53
Lease payments - cash	-250	-250
Balance at 30 June	**576**	**785**

	2021 $000	2020 $000
Lease liabilities		
Current	217	210
Non-current	359	575
	576	**785**

The group leases plant and equipment for port operations typically for fixed periods of 5 to 7 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As Lessor

The Group leases land and buildings to port users for terms of 1-30 years. The Group manages the risk associated with leased land and buildings by having formal contracts which include obligations on tenants to observe relevant laws, regulations, port operating requirements, and the right to conduct contaminant testing and require reinstatement to agreed standards

At balance date the following operating lease payments were receivable by the Group

	2021 $000	2020 $000
Receivable within one year	1,995	1,803
Between one and two years	1,908	1,638
Between two and five years	4,913	4,774
Over five years	8,829	8,225
	17,645	16,440

Note 8: Dividends

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
2020 special dividend paid		-		43,958	43,958
2021 interim dividend paid		8,499	4,000	4,738	2,500
2021 final dividend paid		3,711	1,200	-	-
Dividends paid		**12,211**	**5,200**	**48,696**	**46,458**

Note 9: Capital and Reserves

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Share Capital					
Opening balance		404,867	177,500	177,500	177,500
Issue of ordinary shares		-	-	234,000	-
Dividends		-	-	11	-
Treasury shares		-	-	-323	-
Fair share plan		87	-	-1,188	-
		404,954	177,500	410,000	177,500
Less: Transaction costs arising on issue of shares		-822	-	-5,133	-
Closing balance		404,132	177,500	404,867	177,500

All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up.

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Treasury Shares				
124,000 ordinary shares (2020: 124,000)	323	-	323	-
Fair Share Plan				
436,000 ordinary shares (2020: 457,000)	1,090	-	1,177	-

The shares issued under the Fair Share Plan are held in Trust on behalf of employees until the employees' loans are satisfied in full. The Trust is a subsidiary of and consolidated in the financial statements of the Group.

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Retained Earnings					
Opening balance		-69,962	171,024	-37,918	-1,006
Transfer from revaluatin reserve		-	-	59	-
Profit for the period		23,980	8,049	16,604	47,889
Business reorganisation	9(a)	386		-	170,600
Dividends		-12,211	-5,200	-48,707	-46,458
					-
Closing balance		-57,805	173,875	-69,962	171,024

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Hedging Reserve				
Opening balance	-	-	-	-
other movements	-	-	-	-
Changes in fair value net of deferred tax	-46	-	-	-
Closing balance	-46	-	-	-

The hedging reserve comprises the effective portion of the cumulative net change in fair value of cash flow hedging instruments, related to hedged transactions that have not yet occurred.

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Share-based payment reserve				
Opening balance	375	-	-	-
Share-based payments	113	-	375	-
Closing balance	488	-	375	-

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Revaluation Reserve					
Opening balance		70,842	110,535	75,451	170,600
Business reorganisation	9(a)	-		-	-170,600
Revaluation net of deferred tax		5,761	-16,239	535	110,535
Impairment of sea defences		-	-	-5,144	-
Closing balance		76,603	94,296	70,842	110,535

The revaluation reserve for the Parent relates to the revaluation of the shares in Napier Port Holdings Ltd and shares held through fund managers.
The revaluation reserve for the Group relates to the revaluation of the port sea defences.

Total Reserves	77,046	94,296	71,217	110,535
Total Equity	**423,373**	**445,671**	**406,122**	**459,059**

Costs incurred in relation to equity raising

The Group incurred total transaction costs of $738,000 (2020: $13,147,000) during the year related to the initial public offering and listing of Napier Port Holdings Limited equity securities on the New Zealand Stock Exchange in August 2019. Management have applied judgement to allocate these transaction costs between incremental costs that are directly attributable to issuing new shares and that should be deducted from equity of $822,000 (2020: $5,100,000), costs that relate to the share market listing or are otherwise not incremental and directly attributable to issuing new shares which should be recorded as an expense/(credit) in the income statement of ($84,000) (2020: $4,630,000), and joint costs that relate to both share issuance and listing of nil (2020: $3,417,000). The joint costs were required to be allocated between equity and expense on a rational basis and Management have applied judgement in determining this allocation. Together these judgements resulted in incremental costs of $822,000 (2020: $6,944,000) included in Share Capital within Equity, and a credit of $84,000 (2020: expense of $6,203,000) being recognised in the Income Statement.

Note 9(a)

$170.6m of cumulative revaluation gains relating to the Investment in PONL were transferred from the revaluation reserve to retained earnings upon the sale of the PONL shares to NPHL.

Note 10: Trade and Other Receivables

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Trade and other receivables					
Trade receivables		14,769	-	12,750	-
Accruals and prepayments		1,891	128	1,620	195
Total trade and other receivables		**16,660**	**128**	**14,370**	**195**
The ageing of trade receivables at reporting date is set out below:					
Not past due		13,216	-	9,157	-
Past due 0 - 30 days		1,416	-	3,326	-
Past due 30 - 60 days		118	-	100	-
Past due > 60 days		19	-	167	-
		14,769	**-**	**12,750**	**-**

The carrying value of trade and other receivables includes an expected credit loss allowance of $299,000 in respect of trade receivable balance at 30 June 2021 (2020: $339,000). To measure the expected credit loss allowance amount, historical loss rates are adjusted to reflect forward-looking information. Trade receivables are grouped in accordance with their shared credit risk characteristics and global credit rating historical industry information applied to estimate future default and loss percentage rates. There have been no specific trade receivable balances written-off during the period.

Note 11: Trade and Other Payables

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Trade and other payables					
Trade payables		14,382	1,072	9,072	114
Trade accruals		5,434	72	3,252	134
Employee entitlement accruals		5,190	-	4,352	-
Total trade and other payables		**25,006**	**1,144**	**16,678**	**248**

The accounts payable carrying value is equivalent to the current fair value.

Employee entitlement accruals also include staff performance incentive payments due.

Note 12: Provisions for Employee Entitlements

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Non-current					
Provisions for employee entitlements		490	-	477	-
Provisions for employee entitlements		**490**	**-**	**477**	**-**
Provisions for non-current employee entitlement					
Balance at beginning of year		477	-	421	-
Additional provision made		68	-	106	-
Amount utilised		- 55	-	- 50	-
Balance at end of year		**490**	**-**	**477**	**-**

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Note 13: Intangible Assets

	Opening Cost $000	Additions $000	Transfer/ Disposals/ Impairment $000	Closing Cost $000	Opening Accum Amortisation $000	Current Year Amortisation $000	Transfer/ Disposals $000	Closing Accum Amortisation $000	Book Value $000
Group									
Year ended 30 June 2021									
Computer software	7,304	843	- 153	7,994	6,111	753	- 151	6,713	1,281
Development expenditure	-	-	-	-	-	-	-	-	-
	7,304	**843**	**- 153**	**7,994**	**6,111**	**753**	**- 151**	**6,713**	**1,281**
Year ended 30 June 2020									
Computer software	6,644	660	-	7,304	5,634	477	-	6,111	1,193
Development expenditure	-	-	-	-	-	-	-	-	-
	6,644	**660**	**-**	**7,304**	**5,634**	**477**	**-**	**6,111**	**1,193**

	Opening Cost $000	Additions $000	Transfer/ Disposals/ Impairment $000	Closing Cost $000	Opening Accum Amortisation $000	Current Year Amortisation $000	Transfer/ Disposals $000	Closing Accum Amortisation $000	Book Value $000
Parent									
Year ended 30 June 2021									
Computer software	-	-	-	-	-	-	-	-	-
Development expenditure	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Year ended 30 June 2020									
Computer software	-	-	-	-	-	-	-	-	-
Development expenditure	-	-	-	-	-	-	-	-	-
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Note 14: Property, Plant and Equipment

	Opening Cost $000	Reval/ Additions $000	Transfer/ Disposals $000	Adjustment on Consol. $000	Closing Cost $000	Opening Accum Depreciation $000	Current Year Depreciation $000	Transfer/ Disposals/ Impairment $000	Closing Accum Depreciation $000	Book Value $000
Group										
Year ended 30 June 2021										
Land	38,656	-	-	-	38,656	-	-	-	-	38,656
Sea defences	88,121	134	- 5,848	-	82,407	6,806	330	- 5,848	1,288	81,119
Buildings	28,526	2,404	- 9	-	30,921	11,723	892	- 8	12,607	18,314
Site improvements	63,802	6,098	-	-	69,900	26,162	2,193	-	28,355	41,545
Dredging	19,780	6	-	-	19,786	7,187	650	-	7,837	11,949
Wharves & jetties	47,867	3,724	-	-	51,591	10,352	712	-	11,064	40,527
Vehicles, plant & equipment	130,653	4,014	- 664	-	134,003	55,972	7,578	- 550	63,000	71,003
Work in progress	39,084	78,027	-	-	117,110	-	-	-	-	117,110
	456,489	**94,407**	**- 6,521**	**-**	**544,374**	**118,202**	**12,355**	**- 6,406**	**124,151**	**420,223**
Year ended 30 June 2020										
Land	38,656	-	-	-	38,656	-	-	-	-	38,656
Sea defences	88,121	-	-	-	88,121	668	913	5,225	6,806	81,315
Buildings	28,713	50	- 237	-	28,526	11,064	708	- 49	11,723	16,803
Site improvements	61,854	1,948	-	-	63,802	23,636	1,963	563	26,162	37,640
Dredging	18,363	1,417	-	-	19,780	6,436	751	-	7,187	12,593
Wharves & jetties	47,428	439	-	-	47,867	9,729	623	-	10,352	37,515
Vehicles, plant & equipment	118,731	12,704	- 782	-	130,653	49,085	7,564	- 677	55,972	74,681
Work in progress	12,282	26,802	-	-	39,084	-	-	-	-	39,084
	414,148	**43,360**	**- 1,019**	**-**	**456,489**	**100,618**	**12,522**	**5,062**	**118,202**	**338,287**

	Opening Cost $000	Reval/ Additions $000	Transfer/ Disposals $000	Adjustment on Consol. $000	Closing Cost $000	Opening Accum Depreciation $000	Current Year Depreciation $000	Disposals $000	Closing Accum Depreciation $000	Book Value $000
Parent										
Year ended 30 June 2021										
Land	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-
Year ended 30 June 2020										
Land	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-

Plant and Equipment includes right-of-use assets relating to leased plant and equipment.

The Property Plant and Equipment policy has been changed to reflect that administration buildings that we previously held at cost are now held at fair value less accumulated depreciation. The change has been made to align the group accounting policy with that of its parent, the Hawke's Bay Regional Council.

Sea defences were revalued to fair value as at 30 June 2017 by AECOM New Zealand Ltd and the revalued amounts included in the statement of financial position as at 30 September 2017. The valuation has been prepared on an optimised depreciated replacement cost basis and in accordance with the NZ Infrastructure Asset Valuation and Depreciation Guidelines published by the NAMS group of IPWEA.

Significant estimates – valuation of sea defences

The valuation of sea defences is subject to assumptions and judgements which materially affect the resulting valuation. Such factors include replacement quantities and unit values, the condition and performance of assets, estimated total and remaining effective lives of 70 to 156 years and 5 to 62 years, respectively, and estimated residual values of 20% of replacement cost. Other inputs incorporated into the valuation process include Statistics NZ Indices and an allowance for project on-costs of 10-12%. An increase in the remaining useful life, the residual value assumption, or in replacement quantities and unit values for sea defence assets will result in an increase in the valuation and vice versa.

The historical cost of the sea defence asset class is $4,696,000 (2020: $4,696,000).

The fair value measurement has been categorised as a Level 3 fair value based on inputs which are not based on observable market data.

Note 15: Investments

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Financial assets					
Equity investments	15(a)	-	374,000	-	396,000
Investments in managed funds	15(a)	48,482	48,482	45,538	45,538
Loan receivables	15(a)	16,663	16,663	16,663	16,663
Total	15(b)	**65,145**	**439,145**	**62,201**	**458,201**
Less current portion		-	-	-	-
Non-current portion		**65,145**	**439,145**	**62,201**	**458,201**

Note 15(a)

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Financial Assets					
At beginning of year		62,201	458,201	-	348,000
Additions		384	384	78,322	364,322
Revaluation surpluses / (deficits)		5,761	-16,239	535	110,535
(Disposals)		-3,201	-3,201	-16,656	-364,656
At end of year	15(d)	**65,145**	**439,145**	**62,201**	**458,201**
Less current portion		-	-	-	-
Non - current portion		**65,145**	**439,145**	**62,201**	**458,201**
financial assets include:					
Shares in Napier Port Holdings Limited	15(c)	-	374,000	-	396,000
Investment in managed funds		48,482	48,482	45,538	45,538
Loan receivable from Hawke's Bay Regional Council		16,663	16,663	16,663	16,663
		65,145	**439,145**	**62,201**	**458,201**

At year end HBRIC had committed $4 million towards equity investments.

Note 15(b)

There were no impairment provisions on investments in the current period.

Note 15(c)

HBRIC Ltd acquired 100% of the shares in Port of Napier Ltd from Hawke's Bay Regional Council effective from 25 June 2012 for total consideration of $ 177.5 million, paid for by way of a subscription to 177,500,000 ordinary shares in the capital of HBRIC Ltd at the value of $1 per share.

In August 2019, 45% of HBRIC's shareholding in Napier Port was listed on the NZX resulting in HBRIC Ltd owning 55% of the Napier Port through its shareholding in Napier Port Holdings Ltd. The investment in Napier Port Holdings Ltd is measured at fair value based on NZX prices.

Note 15(d)

Financial Assets designated at Fair Value through OCI (FVOCI)
Equity Investment in Napier Port Holdings Ltd
Equity Investments held through fund managers (Mercer and Jarden)

Financial Assets at Fair Value through OCI (debt instruments)
Investments in debt instruments including debt instruments held through fund managers.

Financial Assets at Amortised Cost
Trade Receivables
Related Party Loans

Note 16: Investment Properties

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Investment properties					
Land and building		10,400	-	8,200	-
Total investment properties		**10,400**	**-**	**8,200**	**-**
Balance at beginning of year		8,200	-	7,970	-
Additions		-	-	-	-
Disposals		-	-	-	-
Transfer to property, plant & equipment		-	-	-	-
Net gain/(loss) from fair value adjustments		2,200	-	230	-
Balance at end of year		10,400	-	8,200	-

Investment properties were independently valued at 30 June 2021 by William Lawler (registered valuer) of Logan Stone Limited.

The fair value has been determined by the valuer using a market approach based on comparable property sales within the area. The fair value measurement has been categorised as a Level 2 fair value based on inputs which are observable but not quoted prices.

Note 17: Loans and borrowings

Napier Port Holdings Limited (NPHL)

2021

Non-current	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Capitalised Loan Costs NZ$000	Carrying Value NZ$000
Bank facilities	Floating	180,000	120,000	1,282	58,718
Total non-current		**180,000**	**120,000**	**1,282**	**58,718**

2020

Non-current	Coupon	Committed Facilities NZ$000	Undrawn Facilities NZ$000	Capitalised Loan Costs NZ$000	Carrying Value NZ$000
Bank facilities	Floating	180,000	180,000	-	-
Total non-current		**180,000**	**180,000**	**-**	**-**

The Group has entered into three facilities with Westpac New Zealand Limited, Industrial and Commercial Bank of China (New Zealand) Limited (ICBC New Zealand) and Industrial and Commercial Bank of China (Asia) Limited (ICBC Asia) which provide total available facilities of $180 million, to fund the completion of the 6 wharf expansion project and general corporate purposes. Of the total facilities, $60 million matures July 2023 and $120 million matures September 2024. Establishment and line fees paid on the facilities are included as a prepayment within trade and other receivables until the facilities are drawn down.

The facility agreements require that certain covenants are met and will require the Group to maintain or better specified Debt Coverage, Interest Coverage, Equity and Group Coverage ratios.

Security for the facilities with the banks is by way of negative pledge over the assets of the Group in respect of both the sale of assets and other security interests.

Hawke's Bay Regional Investment Company Limited (HBRIC)

2021

HBRIC has no borrowings as at 30 June 2021

2020

During the 2020 financial year, HBRIC repaid and cancelled its $10m credit facility with HBRC.

Note 18: Cash and Cash Equivalents

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Cash and cash equivalents					
Cash and cash equivalents		10,062	7,545	18,712	757
Bank overdraft		-	-	-	-
Reconciled to Cash Flow Statement		**10,062**	**7,545**	**18,712**	**757**

<u>Reconciliation of Surplus after Taxation to Net Cash Flows from Operating Activities</u>

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Surplus after taxation	23,981	8,049	16,605	47,889
Add non-cash items:				
Fair value (gains)/losses	-2,200	-	-230	-
Fair value movement on cash flow hedges reclassified to the income statement	-	-	-	-
Depreciation and amortisation	13,108	-	12,999	-
Impairment of assets	-	-	-	-
Loss/ (gain) on sale of assets	59	-17	-1,715	-1,738
Adjustment for sale of assets in receivables	-	-	-	-
Share of loss of equity accounted investee	80	-	-	-
Share based payments	113	-	375	-
Other non cash items	249	247	25	-256
Deferred tax	670	-	328	-
Total non-cash items	12,079	230	11,782	-1,994
(Deduct)/add other adjustments:				
Net (profit)/loss on sale of PPE	-	-	-	-
Effect on consolidation	-	-	-	-
Termination of interest rate swaps	-	-	872	-
Transaction costs arising on issuance of shares	-	-	-1,992	-
(Decrease)/increase in non-current provisions	13	-	56	-
Total other adjustments	13	-	-1,064	-
Movements in working capital:				
Increase/(decrease) in accounts payable	2,564	896	-4,874	-970
(Increase)/decrease in receivables	-1,976	21	10,794	2,485
(Increase)/decrease in tax receivables	-3,726	-309	-2,514	236
(Increase)/decrease in inventories	-	-	-	-
Total movements in working capital	-3,137	609	3,407	1,752
Net Cash Inflow from Operating Activities	**32,934**	**8,888**	**30,730**	**47,647**

Note 19: Related-Party Disclosures

The parent entity in the group structure is HBRIC Ltd, which is 100% owned by Hawke's Bay Regional Council (HBRC). Other related parties include Port of Napier Limited and Napier Port Holdings Limited which are both subsidiaries of HBRIC Ltd.

The group undertakes transactions with HBRC and its related parties, all of which are carried out on a commercial basis. During the period, no material transactions were entered into with related parties except as disclosed below.

Transactions between the HBRIC Ltd Group and parent entity HBRC

HBRIC Ltd group entities entered into the following transactions with HBRC:

	20/21 $000	19/20 $000
Sales of goods and services	41	-
Interest payments received	333	
Purchases of goods and services	135	101
Payment of interest	-	78
Payment of dividends	5,200	46,458

HBRIC Ltd group entities entered into the following subvention payments with HBRC, noting that subvention payments were made for the tax effect of the losses transferred.

	20/21 $000	19/20 $000
Subvention payments	-	7

HBRIC Ltd group entities have the following year end balances arising from sales/purchases of goods and services with HBRC:

	20/21 $000	19/20 $000
Intrabusiness receivables	-	9
Intrabusiness payables	3	63

Balance at year end for loan provided by HBRIC to HBRC:

	20/21 $000	19/20 $000
Loan to HBRC	16,663	16,663

Transactions between the parent company and subsidiary

The following transactions were entered into between HBRIC Ltd and its subsidiary, Napier Port Holdings Limited:

	20/21 $000	19/20 $000
Dividends received	8,580	46,708

	20/21 $000	19/20 $000
Accounts receivable	-	-
Accounts payable	53	101

	20/21 $000	19/20 $000
Subvention payments	-	217

During the year ended 30 June 2021, Napier Port Holdings Limited paid cash proceeds for the purchase of PONL shares to HBRIC of $0.3 million.

The amounts owing to related parties are paid in accordance with the Group's normal commercial terms of trade.

K. Ali-Dawson is a close family member of a member of key management personnel and has provided communications consultancy services to the Group during the period on an arms-length basis totalling $4,000 (2020 - nil).

Moore Markhams, a company in which Dan Druzianic (HBRIC Chair) is a Director, provided consultancy services to HBRIC on an arms-length basis totalling $4,000 (2020 - nil).

Key management compensation

Compensation of the Directors and executives, being the key management personnel for group reporting purposes is as follows:

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Board Members				
Remuneration	619	30	613	30
Leadership team				
Short term employee benefits	2,505	-	3,394	96
Termination benefits	-	-	130	-
Share based payments	113	-	62	-
Total key management personnel remuneration	**3,237**	**30**	**4,199**	**126**

Note 20: Capital Expenditure Commitments & Contingencies

	Note	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Capital commitments					
Capital expenditure contracted for at balance sheet date but not yet incurred as follows:					
Property, plant and equipment		60,907	-	131,971	-
Intangible assets		-	-	-	-
Investment property		-	-	-	-
Total capital commitments		**60,907**	**-**	**131,971**	**-**

Contingent Liabilities:

At balance date, there were no material contingent liabilities (2020: Nil).

Financial Guarantees

The Group has financial performance guarantees in place, the maximum callable under the guarantees at 30 June 2021 is $101,000 (2020: $97,000)

Note 21: Financial Instruments

Credit Risk

In the normal course of its business the Group incurs credit risk from accounts receivable, related party loans, bank balances and interest rate swap agreements. There is no significant concentration of credit risk and the Group has a policy of assessing the credit risk of significant new customers and monitors the credit quality of existing customers. Counterparties to cash and derivative financial assets are major banks, approved by the Directors. The related party loan is to a regional council with a strong balance sheet position that has no history of default. The Group's maximum credit risk exposure is as disclosed in the statement of financial position and there is no collateral or other security held.

The Group has trade receivables as financial assets that are subject to the expected credit loss model under NZ IFRS 9. For trade receivables the Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

The group has a loan receivable from Hawke's Bay Regional Council (HBRC) which is subject to the expected credit loss model under NZIFRS 9.
The group has applied the 12 month expected credit loss allowance approach to measure the expected credit losses for this loan.
As at 30 June 2021 the net carrying value of the loan amounted to $16.6 million and there was no collateral held as security.
Due to the strong balance sheet position of HBRC and the nature of the relationship between the group and HBRC, the group has not recognised any credit losses against this loan as at 30 June 2021.

Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash and borrowing facilities available to meet its liabilities when due, under both normal and adverse conditions. The Group's cash flow requirements and the utilisation of borrowing facilities are continuously monitored.

The following table sets out the contractual cash flows for all financial liabilities and derivatives:

Contractual Maturity Analysis	Carrying Amount	Cash flows To Maturity	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
Group	$000	$000	$000	$000	$000	$000
2021						
Trade and other payables	14,382	14,382	14,382	-	-	-
Lease liabilities	576	627	244	175	208	-
Loans and bank borrowings	58,718	63,422	1,053	1,053	61,316	-
Interest rate swaps	161	161	15	27	92	27
Forward exchange contracts	2	2,312	2,312	-	-	-
	73,839	80,904	18,006	1,255	61,616	27
2020	$000	$000	$000	$000	$000	$000
Trade and other payables	9,072	9,072	9,072	-	-	-
Lease liabilities	785	877	250	244	383	
Bank borrowings	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
	9,857	9,949	9,322	244	383	-

Contractual Maturity Analysis	Carrying Amount	Cash flows To Maturity	Less than 1 Year	1 - 2 Years	2 - 5 Years	More than 5 Years
Parent	$000	$000	$000	$000	$000	$000
2021						
Trade and other payables	1,072	1,072	1,072	-	-	-
Bank borrowings	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
	1,072	1,072	1,072	-	-	-
2020	$000	$000	$000	$000	$000	$000
Trade and other payables	114	114	114	-	-	-
Bank borrowings	-	-	-	-	-	-
Interest rate swaps	-	-	-	-	-	-
Forward exchange contracts	-	-	-	-	-	-
	114	114	114	-	-	-

Market Risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Interest Rate Risk

The Group utilises interest rate caps and swaps to manage interest rate exposures for future periods. The Group's main interest rate risk arises from loans and borrowings with variable rates, which expose the Group to cash flow interest rate risk. Generally, the Group enters into long-term borrowings at floating rates and swaps them into fixed rates. The Group's treasury policy defines the use of approved hedging instruments to manage interest rate exposures within minimum and maximum bands of fixed interest rate cover.

The notional principal amounts (including forward starting swaps) and the expiry period of interest rate swaps at the end of the reporting period were:

Interest rate swaps	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Less than 1 Year	-	-	-	-
1 - 2 Years	15,000	-	-	-
Greater than 5 Years	50,000	-	-	-
	65,000	-	-	-

The effects of the interest rate swaps on the Group's financial position and performance are as follows:

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Carrying amount (liability)	161	-	-	-
Hedge ratio	1:1	-	-	-
Change in fair value of outstanding hedging instruments	(161)	-	-	-
Change in value of hedged item used to determine hedge	161	-	-	-
Weighted average hedged (index) rate	1.32%	-	-	-

Interest Rate Sensitivity Analysis

At reporting date, if bank interest rates had been 100 basis points higher/lower with all other variables held constant, it would increase/(decrease) post tax profit or loss and other comprehensive income by the amounts shown below.

	Profit or Loss		Other Comprehensive Income	
	100bp Increase $000	100bp Decrease $000	100bp Increase $000	100bp Decrease $000
Variable rate loans	- 600	600	-	-
Interest rate swaps	292	- 308	904	- 969
Year End 2021	- 308	292	904	- 969
Cash and cash equivalents	70	- 70	-	-
Year End 2020	70	- 70	-	-

Foreign Exchange Rate Risk

The Group undertakes transactions denominated in foreign currencies from time to time which exposes the Group to changes in foreign exchange rates until such transactions are settled. It is the Group's policy to hedge highly probable foreign currency risks above a certain value threshold as they arise and use forward foreign exchange contracts or foreign currency cash purchases to manage these exposures.

The Group's exposures to financial instrument foreign currency risk at the end of the reporting period were:

	NZD Amount $000	Currency Amount $000
2021		
EUR forward foreign exchange contracts	2,312	1,360

The effects of forward foreign exchange contracts on the Group's financial position and performance are as follows:

Foreign exchange contracts	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Carrying amount (liability)	2	-	-	-
Notional amount - EUR	1,360	-	-	-
Hedge ratio	1:1	-	-	-
Maturity Date	Jul-21	-	-	-
Change in fair value of outstanding hedging instruments	2	-	-	-
Change in value of hedged item used to determine hedge effectiveness	(2)	-	-	-
Weighted average hedged rate (including forward points)	EUR 0.59:NZD 1	-	-	-

Sensitivity:

At the reporting date, a 10% strengthening or weakening of the New Zealand dollar against the relevant foreign currencies with all other variables held constant, would increase/(decrease) profit or loss and other comprehensive income by the amounts shown below.

	Profit or Loss		Other Comprehensive Income	
	10% NZD Increase $000	10% NZD Decrease $000	10% NZD Increase $000	10% NZD Decrease $000
30 June 2021	-	-	(212)	255
30 June 2020	-	-	-	-

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Commodity Price Risk

The Group utilises commodity swap contracts to reduce the impact of market price changes on fuel costs used in operations.

The effects of commodity swap contracts on the Group's financial position and performance are as follows:

Foreign exchange contracts	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Carrying amount asset	99	-	-	-
Notional amount - (litres)	450,000	-	-	-
Hedge ratio	1:1	-	-	-
Maturity Date	July 21 - Sept 21	-	-	-
Change in value of hedged item used to determine hedge effectiveness	(99)	-	-	-
Weighted average hedged rate (NZD/litre)	$0.50	-	-	-

Fair Values

Financial assets and liabilities

	Group Actual 20/21 $000	Parent Actual 20/21 $000	Group Actual 19/20 $000	Parent Actual 19/20 $000
Financial Assets				
Financial Assets at Fair Value - Level 1				
Investments in managed funds	48,482	48,482	45,538	45,538
Investment in Napier Port Holdings Limited	-	374,000	-	396,000
Investment in Port of Napier Limited	-	-	-	-
Financial Assets at Fair Value - Level 2				
Fuel commodity swaps	99	-	-	-
	99	-	-	-
Financial Assets at amortised cost				
Cash	10,062	7,545	18,712	757
Receivables	15,068	-	12,750	-
Loan Receivable	16,663	16,663	16,663	16,663
	41,793	24,208	48,125	17,420
Total Financial Assets	**90,374**	**446,690**	**93,663**	**458,958**
Financial Liabilities				
Financial Liabilities at Fair Value (level 2) - Cashflow Hedges				
Interest rate swaps	161	-	-	-
Forward foreign exchange contracts	2	-	-	-
	163	-	-	-
Financial Liabilities at Amortised Cost				
Trade payables	14,382	1,072	9,072	114
Borrowings	58,718	-	-	-
Lease liabilities	576			
	73,676	1,072	9,072	114
Total Financial Liabilities	**73,839**	**1,072**	**9,072**	**114**

The carrying value of all financial assets and liabilities approximates their fair value.

Estimation of fair value of financial instruments

The fair value of financial instruments is determined on a hierarchical basis that reflects the significance of the inputs used in making the measurements. The fair value hierarchy is:

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Note 22: Share-Based Payments

Fair Share Plan

At the time of the initial public offering employees of the Group were offered an interest-free limited recourse loan to purchase up to $5,000 worth of ordinary shares at the price that the shares initially listed on the NZX. The shares are held in Trust on behalf of the employees until the employee's loans are settled in full. The employee loans are repayable on the earlier of the 10th anniversary of Napier Port Holdings Limited listing on the NZX, the date an employee ceases employment with the Group, or when an employee repays their loan balance. Any dividends paid by the Group while the employee loans are outstanding are credited against the employees' loan balance. If at the time employees are required to repay their loans the shares are worth less than the loan, the employees are not required to repay the loan balance but they will forfeit their shares.

As the conditions of the Fair Share plan give the employee the right, but not necessarily the obligation, to subscribe to shares the arrangement is considered for accounting purposes, an in-substance share option plan, and is accounted for under NZ IFRS 2 Share-Based Payments. Because the employees can leave at any time and repay their loans, or early repay their loans at any time, and take legal ownership of their shares, there is no vesting period and the full amount of the fair value of the award has been recognised at the grant date and there will be no further adjustment.

The fair value of the options at the grant date was determined using the Black Scholes option pricing model, taking into account the terms and conditions under which the options were granted. The following tables lists the inputs used at the time the options were granted.

	Black Scholes Option Pricing Model 2019
Exercise price	$2.60
Dividend yield	2.32%
Expected volatility	18.7%
Risk free interest rate	0.86% - 1.92%
Expected life of the options	9.1 years

During the year ended 30 June 2020, 472,288 shares were granted under the Fair Share plan with an option fair value of $0.68 per share. During the year ended 30 June 2021, no expense has been recognised in the Consolidated Income Statement in respect of the Fair Share plan (2020: $321,000).

Executive Long-Term Incentive (LTI) Plan

In August 2019, the Group introduced an equity-settled Executive Long-Term Incentive (LTI) plan. Under this LTI plan, share rights are issued to participating executives with a three year vesting period. The vesting of share rights entitle the executive to the receipt of one Napier Port Holdings Limited ordinary share per share right at nil cost, plus additional shares to the value of any dividends which would have been paid on the underlying shares during the vesting period. Vesting is subject to the executive remaining employed by the Group during the vesting period, the achievement of total shareholder return (TSR) hurdles over the vesting period and, for the initial grant, the achivement of certain EBITDA targets over the prospective financial information period (2 years).

The proportion of share rights that vests depends on the Group's TSR performance ranking relative to the NZX50 index.

To the extent that performance hurdles are not met or executives leave employment of the Group prior to vesting, the share rights are forfeited.

Number of Share Rights Issued:	**2020**	**2021**
Grant Date	19-Aug-19	02-Dec-20
Vesting Date	19-Aug-22	02-Dec-23
Balance at 30 June 2020	139,613	-
Granted During the Year	-	160,977
Lapsed During the Year	-	-
Balance at 30 June 2021	139,613	160,977
Total LTI Plan		300,590

Share rights are valued as zero cost in-substance options at the date at which they are granted, using the Monte Carlo Option Pricing model. The following table lists the key inputs into the valuation:

Monte Carlo Option Pricing Model	**2,020**	**2021**
Grant Date	19-Aug-19	02-Dec-20
Vesting Date	19-Aug-22	02-Dec-23
Grant Date Share Price	$2.60	$3.61
Risk Free Interest Rate	0.94%	0.94%
Expected Dividends	$0.26	$0.26
Valuation per Share Right	$1.26	$1.75

The weighted average remaining contractual life of the options at 30 June 2021 is 1.83 years (2020: 2.08 years)

During the year ended 30 June 2021, an expense of $113,000 (2020: $54,000) has been recognised in respect of the LTI plan in the Consolidated Income Statement.

Note 23: Events After Balance Sheet Date (Parent & Group)

During the year the HBRIC board made the decision to invest $4 million in Foodeast GP Limited with a 66.72% equity stake. Foodeast GP Limited was incorporated on 1 July 2021, at which date HBRIC contributed $1.6 million in line with the capital contribution requirement.

Note 24: Performance Against Statement of Intent Targets

2020/21	Note	Group Actual	Group Target	Parent Actual	Parent Target
Net debt to net debt plus equity		12%	<40%	0%	<10%
Interest cover (EBIT / interest paid)		548x	>3x	N/A	>3x
EBITDA / total assets		8%	9%	2%	3%
Return on shareholders' funds		6%	5%	2%	3%
Ordinary Dividends		-	-	$8.58m	$6m

2019/20	Note	Group Actual	Group Target	Parent Actual	Parent Target
Net debt to net debt plus equity		0%	<40%	0%	<10%
Interest cover (EBIT / interest paid)		18x	>3x	592x	>3x
EBITDA / total assets		8%	9%	10%	3%
Return on shareholders' funds		4%	5%	10%	3%
Ordinary Dividends		-	-	$2.5m	$10.2m

Due to the uncertainty to revenue streams as a result of Covid-19, the dividend target for 2020/21 was reduced to $3m in agreement with Council, and reflected in Council's annual plan.

Note 25: Legislative compliance

Section 67 of the Local Government Act 2002 requires the Board of Directors to complete the company's annual report within 3 months after the end of each financial year.

However as a result of the Covid-19 pandemic parliament passed legislation to extend the statutory reporting time frames by up to two months in order to ensure that there is no reduction in the quality of the financial reporting and the audit of the annual reports. HBRIC's new reporting deadline is 30 November 2021.

The report was completed on 8 November 2021

Performance Statement

Governance

	Objective	Performance target	Performance
1	HBRIC Ltd maintains a strategic direction that is consistent with that of 100% shareholder Hawke's Bay Regional Council (Council).	HBRIC Ltd develops and maintains appropriate communication lines with Council to ensure HBRIC Ltd remains aware of Council's strategic priorities.	HBRIC has presented to Council on a number of occasions to ensure the strategic direction of HBRIC Ltd is consistent with that of Council.
		By 1 March each year (unless otherwise agreed), HBRIC Ltd will submit a draft SoI for the forthcoming year for review and approval by Council.	The Draft SoI was submitted to council on 24 February 2021.
2	HBRIC Ltd keeps Council informed of all significant matters relating to HBRIC Ltd and its subsidiaries, within the constraints of commercial sensitivity.	HBRIC Ltd submits regular written reports to Council in the financial year and presents seminars to Councillors when appropriate.	Satisfied.
		Major matters of urgency are reported to Council at the earliest opportunity.	All major matters of urgency were reported to Council at the earliest opportunity.
3	Corporate governance procedures are appropriate, documented and reflect best practice.	The company's policies will be developed and reviewed in accordance with a schedule approved by the Board, and the company will work with and assist Council to ensure that there is alignment between Council and company policies.	A review of policies was performed during the 2021 year along with updates to policies as needed.
4	Directors make an effective contribution to the HBRIC Ltd board, and their conduct is in accordance with generally accepted standards.	The Board will conduct a formal biennial performance evaluation for each HBRIC Ltd director.	Not achieved.
		The Governance committee will review the training needs of individual HBRIC Ltd directors, and ensure training is provided where required.	Ongoing.
5	HBRIC Ltd's process for the selection and appointment of directors to the boards of subsidiary and monitored companies is rigorous and impartial.	The process followed for each appointment to a subsidiary or monitored company board is transparent, fully documented and in line with Council's approved policies and procedures.	Director appointments made during the year complied with Council/HBRIC Ltd policies.
6	Subsidiary companies complete, on a timely basis, Statements of Intent that meet best practice standards.	HBRIC Ltd will engage with subsidiary companies prior to the SoI round in each year regarding the structure and content of their SoI.	Not required under section 71A of Local Government Act 2002.
		In each year, subsidiary companies submit draft Statements of Intent to HBRIC Ltd in sufficient time for HBRIC Ltd to submit a Final SOI by 30 June.	Not required under section 71A of Local Government Act 2002.
		HBRIC Ltd will review Statements of Intent and respond to the subsidiaries and make recommendations to Council, including on any material changes that are proposed, within six weeks of receipt.	Not required under section 71A of Local Government Act 2002.

7	Subsidiary companies that are CCTOs comply with the Local Government Act's requirements that their principal objectives be: · achieving the objectives of its shareholders as set out in the SoI; · being a good employer; · exhibiting a sense of social and environmental responsibility; and · conducting their affairs in accordance with sound business practice.	HBRIC Ltd will review the companies' performance in the context of these statutorily required objectives.	Satisfied - HBRIC Ltd receives regular investor updates published by the Napier Port.

Group strategic, financial and sustainability objectives

	Objective	Performance target	Performance
1	Subsidiary companies adopt strategies that are compatible with the strategic direction of HBRIC Ltd and Council.	HBRIC Ltd will review the strategic direction and outcomes published by the Napier Port Holdings Limited to ensure that they align with those of HBRIC.	Satisfied.
2	Subsidiary companies adopt strategies that contribute to regional growth.	HBRIC Ltd will encourage subsidiary companies to seek opportunities that are both commercially sound and are capable of enhancing regional growth, and actively engage them with regard to specific opportunities that may arise.	Satisfied - Napier Port continues to focus on increased trade growth and is currently in the process of expanding its operations by investing in the construction of a new wharf.

Parent company financial objectives

	Objective	Performance target	Performance
1	HBRIC Ltd financial and distribution performance meets the shareholder's expectations.	HBRIC Ltd pays a dividend for the 2021 financial year that meets or exceeds the forecast dividend, and achieves other performance targets set out in section 7.	Satisfied.
2	HBRIC Ltd's investments provide an appropriate return in relation to their business risk, and against external benchmarks.	HBRIC Ltd will periodically review the performance of subsidiary companies and other investments against external benchmarks, and assess the value of the investment in the individual company in relation to its inherent business risk and community benefits.	Satisfied.

Audit New Zealand
Mana Arotake Aotearoa

Independent Auditor's Report

To the readers of Hawkes Bay Regional Investment Company Limited and group's financial statements and performance information for the year ended 30 June 2021

The Auditor-General is the auditor of Hawkes Bay Regional Investment Company Limited (the company) and group. The Auditor-General has appointed me, Karen Young, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information of the company and group, on his behalf.

Opinion

We have audited:

- the financial statements of the company and group on pages 11 to 48, and 50 that comprise the statement of financial position as at 30 June 2021, the statement of profit or loss, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information; and
- the performance information of the company and group on pages 49, 51 and 52.

In our opinion:

- the financial statements of the company and group on pages 11 to 48, and 50:
    - present fairly, in all material respects:
        - its financial position as at 30 June 2021; and
        - its financial performance and cash flows for the year then ended; and
    - comply with generally accepted accounting practice in New Zealand in accordance with New Zealand equivalents to International Financial Reporting Standards; and
- the performance information of the company and group on pages 49, 51 and 52 presents fairly, in all material respects, the company and group's actual performance compared against the performance targets and other measures by which performance was judged in relation to the company and group's objectives for the year ended 30 June 2021.

Our audit was completed on 8 November 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Board of Directors for the financial statements and the performance information

The Board of Directors is responsible on behalf of the company and group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Board of Directors is also responsible for preparing the performance information for the company and group.

The Board of Directors is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the company and group for assessing the company and group's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Board of Directors intends to liquidate the company and group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Local Government Act 2002.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

For the budget information reported in the financial statements and performance information, our procedures were limited to checking that the information agreed to the company and group's statement of intent.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements and the performance information, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We evaluate the appropriateness of the reported performance information within the company and group's framework for reporting its performance.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company and group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements and the performance information or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company and group to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

- We obtain sufficient appropriate audit evidence regarding the financial statements and the performance information of the entities or business activities within the company and group to express an opinion on the consolidated financial statements and the consolidated performance information. We are responsible solely for the direction, supervision and performance of the company and group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify in our audit.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included on pages 3 to 9, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report the fact. We have nothing to report in this regard.

Independence

We are independent of the company and group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners, issued by New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the company and group.

Karen Young

Karen Young
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand